

**NEW HOPE BOROUGH COUNCIL**

**OBSERVATIONS ON FIRST QUARTER 2021  
REVENUE AND EXPENSES VS. 2021 BUDGET AND  
FUTURE FINANCIAL REPORTING PLANS**

**APRIL 20, 2021**

# NEW HOPE BOROUGH

## OBSERVATIONS ON FIRST QUARTER REVENUE AND EXPENSES VS. 2021 BUDGET

### BACKGROUND

- New Hope's 2021 Budget was developed in the third and fourth quarter of 2020, released to the public in draft form in November, and adopted this past December.
- Our Borough Manager and Treasurer utilized all available information including YTD 2020 Revenue and Expenses, prior-year experience, trends and 2021 plans to estimate 2021 Revenue and Expenses.
- This presentation is intended to provide constituents with a current (and ongoing) mid-year snapshot of how Revenue and Expenses are tracking against our Budget.
- This is the first time that any Council (at least in anyone's memory!) has attempted to create and share a mid-year summary. While all efforts have been made to ensure reliability and accuracy, these initial reports should be considered works-in-progress.
- With modifications, this format will become standardized over the next two quarters.

## METHODOLOGY and NOTES

- Based on revenue deposited and actual paid expenses through March 31<sup>st</sup>, 2021 – (naturally these transactions have not been audited).
- As with all mid-year projections (especially those made early in a year):
  - The future is unknown, so observations about projections are preliminary.
  - Revenue is received and booked, and invoices arrive and are processed, almost every day, so these numbers change continually throughout the year (and adjustments to previously-booked revenue and expenses can also occur).
- The relative consistency of our revenue and expenses, and the rigor that our staff applies to keep our both revenue and invoices as “current” as possible in our accounting system helps provide the basis for a reliable snapshot.
- As with all municipalities, the majority of our expenses are payroll and benefit costs - which are paid with no significant “lag” and are therefore current and fairly precise - which also adds to the overall reliability of the totals.

## **METHODOLOGY and NOTES (continued)**

- This summary does not reflect items that are collected from the dedicated portions of Real Estate tax millage that are 100% pass-throughs, for example, the Ambulance mils.
- **It is expected that numbers will “firm up” by the 2<sup>nd</sup> and 3<sup>rd</sup> Quarter, as more Revenue and Expenses go from “expected” to “actual”.**

## **BOROUGH REVENUE and ITS SOURCES**

- It is noted that the Borough's Real Estate tax represents just 9.6% of each resident's total Real Estate tax bill.
- The remaining 90.4% of every resident's Real Estate taxes are paid to
  - Bucks County (17.6%) and
  - The New Hope Solebury School District (72.8%).
- The average homeowner in the Borough pays roughly
  - \$675 per year in real estate taxes to the Borough.
- The average homeowner in the Borough pays roughly
  - \$1,250 per year to the County
  - \$5,150 per year to the School District.
- The Borough derives roughly 76% of its \$4.3M Budget from three sources:
  - Earned income and Real Estate transfer tax (one-half of one percent) - 40%
  - Parking kiosks and lots - 24%
  - Real estate taxes – 12%

## BOROUGH EXPENSES

- As with all municipalities, the majority of our expenses are salary and benefit costs.
- These costs are paid with no “lag” and are therefore always current, which also adds to the reliability of projections.

• Employees -	Fulltime	Part-time
○ Management and Administration	4	1
○ Public Works	<u>4</u>	<u>1</u>
Total	8	2
○ Police	10	10
TOTAL	18	12

- Unlike at many municipalities, the Borough’s employee headcounts have been very stable over the past 5 years. Also, the Borough’s use of part-time staff (40% of headcount, and an estimated 20% of overall hours) is a critical component of our ability to control labor costs.

## **SUMMARY OF FIRST QUARTER 2021 BUDGET PERFORMANCE**

- Obviously, both the 2020 actual experience, as well as the events of 2021 have presented all organizations, corporations and municipalities with unprecedented challenges.

**Despite these challenges, we are pleased to report that as of the end of the first quarter, the Borough's financial performance for all major Revenue and Expense line items, as well as in the aggregate, are tracking against Budget as expected.**

**Attached is a summary of the Budget and each YTD figure.**

## **NEXT STEPS and FUTURE REVIEWS**

- The Borough will present an update of these observations through June 30<sup>th</sup> in our July work session, as well as...
- A summary of our cash and capital projects balances as of that same date.
  
- The 3<sup>rd</sup> quarter update will include all of the above, as well as...
- A summary of our Bond debt.
  
- Our 4<sup>th</sup> quarter update will include all of the above, as well as...
- A summary of the results of our Police Pension plan's funding.